



GARLIC

CURRENT MARKET

CHINA: Accounting for nearly 80% of global trade, China exports about 200,000 MT of dehydrated garlic every year. However, over the last year, export volumes have been affected by the trade war with the US, and since the beginning of this year, the coronavirus pandemic has also taken a toll on exports. During the past few weeks, export demand has recovered gradually as market operations slowly move back to normality.

However, local stock levels remain very high due to the large increase in acreage since 2017. It is estimated that about 250,000 to 300,000 MT of flakes still remain in carry-over stocks, exceeding annual global demand. Processors and traders are trying to sell off their old stock material before new season arrivals start.

Weakening of the RMB against the USD during the past weeks against the backdrop of debates on fixing responsibility over the coronavirus outbreak have also affected the market.

USA: There has been an increase in demand from early this year, caused by demand due to the Lunar New Year, and then by supply-side shortages due to the COVID-19 outbreak. Even after the situation started coming back to normal, demand has remained rather strong.

Garlic's medicinal properties have been known for centuries. The anti-bacterial properties of garlic were first recognized by Louis Pasteur in 1858. During the *Spanish flu* influenza pandemic of 1917-'18, garlic was used as a preventive remedy. During the pandemic in the US, people even wore garlic necklaces when going out in public, a practice similar to what people did centuries earlier to ward off evil spirits. During World War II, the juice of garlic, which came to be known as *Russian penicillin*, was used by the Red Army for treatment of gangrene.

INDIA: There is currently sufficient dehydrated garlic inventory lying in cold storages in the Mahuva region of Gujarat, one of the most important areas for dehydration operations in the country. This has kept prices mostly stable.

CROP CONDITIONS

CHINA: The early-harvesting regions in Yunnan started harvesting in mid-April, while the late-seed variety harvesting is expected to start soon. During the current season, there has been an increase in acreage of about 20%. Temperatures during winter had been lower than normal, but this has not affected growth adversely and the crop appears healthy.

USA: Harvesting is expected to start in July. Even though sporadic disease incidence, particularly downy mildew, has been reported in a few patches, an increase in production of about 10% is estimated this year.

INDIA: There are currently good inventory levels. It is estimated that in the Mahuva region of Gujarat, one of the major production areas, out of the total production of 80,000 tons, about 55,000 tons is still remaining in cold storages. Almost the entire available quantity is regular material, without any guarantee for 'allergen-free crop'.

MARKET SCENARIO

CHINA: Prices last year had been very attractive, resulting in farmers increasing acreage by about 20% this season. Adequate availability of material prevails, with very good inventory of dried garlic and good supply of new crop fresh garlic. Currently, about 250,000 – 300,000 MT of garlic flakes, and around 700,000 MT of fresh garlic in cold storages remains. The high inventory levels remaining, along with good production this year, is expected to exert heavy bearish pressure on the market.

USA: Increased production is expected this year, with harvesting expected to start in July. Inventory levels remain quite good. Prices are likely to be influenced by exchange rate fluctuations and supply chain factors affecting imports.

PRICE FORECAST

CHINA: With good inventory levels remaining and increased production expected this year, adequate availability of material is expected to have a bearish effect on prices once new arrivals start. However, the spectre of speculation hovers over the industry. Last year, speculative trading had an important contribution in pushing up prices. This year, due to the virus outbreak and weakened stock markets, capital is available in China looking for alternate investment avenues. It is possible that this year also, speculation could impact the market significantly.

COVERAGE RECOMMENDATION

While adequate stock availability is expected to have a sobering effect, speculator activity could make the market volatile. It is recommended to cover short – medium needs, and adapt a wait & watch approach.

ONION

CURRENT MARKET

USA: Harvesting is in progress. Prices have been supported by the COVID – 19 related spike in purchasing, as well as by supply-side tightness caused by disruptions in transportation and low stock levels.

INDIA: Harvesting of the summer crop has started and primary market arrivals have steadily increased. Restrictions in transportation, imposed due to the pandemic, have led to rapid depletion of old stocks in processing centres since new material arrivals have been limited.

The name *Chicago* is derived from the French version of the Native American word *shikaakwa* which means 'stinky onion' or 'wild onion'. The wild onion, called *chicagoua*, grew abundantly in the area in the late 17th century.

CROP CONDITIONS

USA: Harvesting started during end-April and still continues. Production is estimated to be slightly lower than 2019 levels. The new crop appears to be in generally good condition. Last year (2019), weather conditions were quite good, and together with a slight increase in acreage, this resulted in very good production.

INDIA: The summer crop has been affected by unseasonal rains earlier in the year, and harvesting was delayed by about a month. Harvesting started in March. Production is estimated to increase this season due to an increase in acreage resulting from good prices last year. Heavy rain in the major onion growing states of Maharashtra, Karnataka and Telangana during October had submerged fields, leading to a significant increase in prices last year. With processing operations affected by the nation-wide lockdown during the past couple of months, old stocks are getting depleted and production of dehydrated onion is expected to decline by at least 20% compared to last season. Even though processing factories have been allowed to operate, activities have been hampered by restrictions on movement of material and labour, as well as limits on number of workers allowed inside facilities. The industry also faces challenges couriering and testing samples in off-site laboratories.

EGYPT: The winter crop harvesting is complete and material is mostly sold. Ramadan month requirements have provided support to demand. The summer crop harvesting will start this month. An increase in production of about 10% is expected.

MARKET SCENARIO

USA: There is currently adequate inventory available from last year's production. With harvesting underway, new arrivals will further support this situation. At the same time, going forward, increase in cost of production could affect prices.

INDIA: Carry-in stocks from the previous season are very low. The delay in commencement of harvesting this season, together with production lost due to the lockdown, is estimated to reduce the overall production of dehydrated onions by at least 20%. With the primary wholesale markets remaining closed for an extended period, dehydrated onion processors have not been able to procure raw material. Though raw onion production has increased, a major portion of the harvested material has been diverted to the fresh market, where demand has been quite high especially during the Ramadan period.

PRICE FORECAST

There is sufficient inventory in the US to meet market requirements. In both India and Egypt, there is good onion production this year. However, increased demand for raw onions is expected to keep markets volatile. In India, with the processing period shortened due to the lockdown and availability of material curtailed, lower inventory in the dehydrated market could impart some degree of bullishness later in the year.

COVERAGE RECOMMENDATION

Forward coverage is recommended, considering the possibility of volatility in the market over the coming months. Uncertainties related to the spread of the coronavirus pandemic, both in producing and consuming countries, could continue to affect the market.



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